



### *Timeline of Events: 1861–1913*

**1861** War debts are far greater than tariff and excise tax revenues. Congress passes a federal income tax law that is never enacted because it is a direct tax on property, which the Constitution forbids.

**1862** Congress amends the law of 1861 and passes the first federal income tax law. It is the first tax that is based on people's ability to pay.

**1864** Federal income tax rates are increased. People who make between \$600 and \$5,000 must pay a 5 percent tax to the government. People who make over \$10,000 must pay 10 percent.

**1872** The federal income tax is repealed.

**1894** A new version of the federal income tax is passed by Congress requiring people to pay a flat rate of 2 percent of their incomes.

**1895** The Supreme Court declares the 2 percent income tax unconstitutional because the Constitution requires any direct tax to be divided among the states according to their populations.

**1909** The Sixteenth Amendment is proposed. It allows the federal government to tax citizens' incomes without regard for the population of the states.

**1913** The Sixteenth Amendment is ratified.